



BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

DOUG LITTLE

Commissioner

TOM FORESE

Commissioner

IN THE MATTER OF THE APPLICATION
OF NAVOPACHE ELECTRIC
COOPERATIVE, INC. FOR APPROVAL OF
ITS 2016 RENEWABLE ENERGY
STANDARD TARIFF AND
IMPLEMENTATION PLAN AND NET
METERING TARIFF

DOCKET NO. E-01787A-15-0262

DECISION NO. 75309

ORDER

Arizona Corporation Commission

DOCKETED

OCT 27 2015

DOCKETED BY

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Open Meeting

October 20 and 21, 2015

Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Navopache Electric Cooperative, Inc. ("NEC" or "Cooperative") is certificated to provide electricity as a public service corporation in the state of Arizona.

Background

2. On July 14, 2015, NEC filed an application for approval of its 2016 Renewable Energy Standard and Tariff ("REST") Implementation Plan ("2016 REST Plan") in compliance with Arizona Administrative Code ("A.A.C.") §§ R14-2-1801 through R14-2-1816 ("REST Rules"). NEC also submitted an updated avoided cost to be included in its Net Metering Service Tariff ("NMS Tariff"). NEC's current REST Plan was approved by the Arizona Corporation Commission ("Commission") in Decision No. 74820, on November 13, 2014.

Renewable Energy Requirement

3. Pursuant to the REST Rules, investor-owned utilities ("IOUs") are required to meet

specific annual percentage-of-sales targets for both Renewable Energy Resources and Distributed Renewable Energy Resources. However, electric cooperatives are excluded from these specific requirements by § R14-2-1814. Electric cooperatives, instead, are required to submit “appropriate plans for acquiring Renewable Energy Credits...”.

4. As can be seen in Table 1 below, NEC proposes to obtain approximately 1.34% of its forecasted 2016 retail sales from Renewable Energy Resources in its 2016 REST Plan. In comparison, the REST Rule requirement for IOUs in 2016 is 6.0% of retail sales of which 30% must be Distributed Renewable Energy Resources. As of the 2016 REST Plan filing date, NEC had achieved installations of renewable energy output totaling 3,624 megawatt hours (“MWh”).

Table 1
Percentage of Retail Goal

<u>Year</u>	<u>Retail Sales (MWh)</u>	<u>Renewable Goal %</u>	<u>Renewable Energy Needed (MWh)</u>	<u>Renewable Energy Achieved (MWh)</u>	<u>Percentage of Goal (%)</u>
2014	397,464	0.98%	3,719	3,124	84%
2015	397,464	1.15%	4,364	3,624	83%
2016	397,464	1.34%	5,085		

2016 REST Plan

5. NEC’s 2016 REST Plan consists of using existing utility- and member-owned renewable resources in addition to a negotiated biomass facility. Since 2003, NEC has installed and interconnected five separate utility-owned photovoltaic (“PV”) systems to the distribution system: St. John’s Substation, Springerville Area Office, Blue Ridge High School, NEC covered parking, and Mountain Meadows Complex. The five systems have a combined capacity of approximately 400 kilowatts (“kW”).

6. NEC completed construction in 2014 of PV-covered parking near the NEC headquarters. The PV-covered parking is a 116 kW system with anticipated annual output of 254,040 kWh.

7. NEC has also completed negotiations with Western Energy Solutions to purchase energy and Renewable Energy Credits (“RECs”) from a qualified biomass project. Western Energy Solutions anticipates securing an air quality permit for the project by the end of 2015 or early 2016. Construction would begin once the air quality permit is in place and the project is anticipated to be

completed approximately twelve months later. The expected capacity from the facility is 1.0 megawatt ("MW"). For 2016, the estimated cost for the biomass generation project is \$50,058.

8. As of December 31, 2014, NEC had 239 member-installed renewable energy systems in operation. The NEC member-installed systems include PV systems, solar thermal systems, and wind turbines. The member-installed systems have a combined capacity of 1,574 kW¹.

Residential PV and Wind Program

9. For the Residential PV and Wind Program, NEC currently offers an Up-Front Incentive ("UFI") of \$0.50 per installed watt up to a maximum of \$5,000 per metered location. NEC is not proposing any changes to the UFI for Residential PV and Wind with its 2016 REST Plan.

Commercial PV and Wind Program

10. For the Commercial PV and Wind Program, NEC currently offers a UFI of \$0.50 per installed watt up to a maximum payment of \$12,500 per metered location. NEC is not proposing any changes to the UFI for Commercial PV and Wind with its 2016 REST Plan.

Solar Water Heater Program

11. For the Solar Water Heater Program, NEC currently offers a UFI of \$0.75 per kWh of estimated energy saved during the system's first year of operation. NEC is not proposing any changes to the UFI for Solar Water Heaters with its 2016 REST Plan.

12. The table below illustrates the current/proposed incentive levels provided for each technology (as stated earlier, no changes have been proposed to the UFIs).

Table 2
Current/Proposed Incentives

Technology	Current/Proposed UFIs
Residential PV and Wind	\$0.50 per installed watt Max payment of \$5,000
Commercial PV and Wind	\$0.50 per installed watt Max payment of \$12,500
Solar Water Heating	\$0.75 per kWh of estimated energy saved during the first year of operation

¹ In Decision No. 74820, dated November 13, 2014, the 218 member installed systems were reported to have combined capacity of 1,585 kW. This capacity total inadvertently counted commercial systems kW twice. The correct combined capacity as of December 31, 2013 was 1,377 kW.

Tariffs

13. NEC is proposing no changes to REST Schedule No. 9 from what was approved in Decision No. 74820, on November 13, 2014. NEC is also not requesting any changes to the Voluntary Renewable Energy Program Schedule No. 10, and the Renewable Energy Customer Self-Directed Tariff Schedule No. 11 from what was approved in Decision No. 74176, on October 25, 2013.

Budget

14. NEC's actual spending through September 2015, current budget and proposed budget for 2016 are shown in Table 3.

Table 3
2016 REST Plan Budget

Category	Actual Spending through 9/2015	Current Budget	Proposed Budget
---Residential DG Rebate*	\$88,248	\$100,000	\$146,352
---Commercial DG Rebate*	\$11,752	\$25,000	\$25,000
---Solar Water Heater Rebates	\$0	\$15,000	\$10,000
Rebate Program Total	\$100,000	\$140,000	\$181,352
RUS Loan Obligation	\$71,100	\$94,800	\$94,800
Utility-Owned PV Maintenance/Repair**	\$3,500	\$20,000	\$0
Utility-Owned PV on Parking Structure	\$372,063	\$250,000	\$0
Purchased Power Agreement	\$0	\$200,232	\$50,058
Administration***	\$86,400	\$200,000	\$165,898
Net-Metering Payments	\$11,619	\$12,000	\$15,048
Total	\$644,682	\$917,032	\$507,156

*DG=Distributed Generation

**Budget dollars for Utility-Owned PV Maintenance/Repair for 2016 are incorporated into the Administration budget rather than a separate line item as was reported in 2015.

***Administration spending reflects expenses through 8/31/2015.

15. Table 4 below indicates the REST funds NEC estimates that would be collected in 2016 by each customer class from the current Renewable Energy Standard ("RES") surcharge and the Voluntary Renewable Energy Program. 2016 funds are estimated to be \$473,820.

Table 4
Estimate of 2016 REST Collections

Customer Class	Amount
Residential	\$283,163
Commercial	\$173,711
Irrigation	\$15,341
Security Lights	\$693
Non-Residential \geq 3 MW	\$0
Voluntary Renewable Energy Program	\$912
Total	\$473,820

16. As of June 1, 2015, the available funds in the REST balance were \$1,221,498. NEC estimates this balance may decrease slightly to near \$1,000,000 by the end of 2015. The REST balance as of December 31, 2014 was \$1,081,494.

17. As can be seen in Table 3 above, the Cooperative has requested a budget for 2016 that is \$400,000 lower than the approved budget in 2015. The 2016 proposed budget takes into consideration that up-front incentive participation has held steady, funding for the biomass facility has only been factored in for the last quarter of 2016, and the NEC PV installation was completed at the end of 2014.

18. Included in the available funds in the REST balance for 2015 are dollars collected from the Public Benefits Charge ("PBC"). The PBC was originally approved by the Commission for recovery of Demand Side Management ("DSM") costs. The Environmental Portfolio Standards, approved in 2001, required utilities to reallocate DSM funding to renewables. At that time, PBC funds were designated as renewable energy funds. Every year since then, the PBC has added an estimated \$125,000 to the dollars available to fund renewable energy projects at NEC.

19. In the pending consolidated dockets for NEC's Energy Efficiency Implementation Plans (Docket No. E-01787A-11-0229 and E-01787A-13-0168), NEC has requested that the PBC be decreased to \$0.000 per kWh and replaced with the DSM surcharge approved in NEC's most recent rate case (Decision No. 73255, dated July 30, 2012). Staff does not know if these consolidated dockets will have a decision by the end of 2015; therefore, Staff anticipates the available renewable funding in 2016 would still include \$125,000 that is being collected by the PBC.

20. With the 2016 REST Plan, NEC has not requested a change to the existing RES surcharges and caps. However, given the estimated balance carryover of close to \$1,000,000, Staff proposes reducing the RES surcharge to decrease collections in 2016. Taking into consideration the decreased budget for 2016 and the continued availability of funds from the PBC, Staff is proposing reducing the RES surcharge kWh energy charge to \$0.0000 per kWh for all customer classes. The current RES energy charges along with the Staff proposed energy charges are shown in Table 4 (Staff is also proposing reducing the Monthly Caps to \$0.00).

Table 5
Current and Staff Proposed RES Charges

Customer Class/Category	<i>Rates</i>			
	Current Energy Charge (per kWh)	Staff Proposed Energy Charge (per kWh)	Current Monthly Cap	Staff Proposed Monthly Cap
Residential	\$0.0025	\$0.00000	\$1.05	\$0.00
Non-Residential	\$0.0025	\$0.00000	\$39.00	\$0.00
Non-Residential \geq 3 MW	\$0.0025	\$0.00000	\$117.00	\$0.00
Governmental & Agricultural	\$0.0004	\$0.00000	\$13.00	\$0.00
Governmental & Agricultural \geq 3 MW	\$0.0004	\$0.00000	\$39.00	\$0.00

21. The proposed Staff reduction to the Energy Charge will result in no dollars added to the REST fund for 2016 from the RES surcharge. Assuming some level of PBC collections in 2016 are in the REST fund and a budget for 2016 of \$500,000, Staff estimates half of the carryover balance would be utilized in 2016.

22. Staff has recommended the NEC-proposed 2016 budget be approved, the monthly caps be reduced to \$0.00, and the energy charges be reduced to \$0.0000 per kWh for all customer classes.

Net Metering Tariff and Avoided Cost Update

23. NEC's current NMS Tariff was approved by the Commission on November 13, 2014, in Decision No. 74820.

24. The application filed on July 14, 2015 included a proposed update to the avoided cost on the NMS Tariff. The NMS Tariff sets the Cooperative's Annual Average Avoided Cost, which is the per-kWh rate paid once a year to customers who have an excess energy production balance as of

1 April billing or as of the customer's final bill upon discontinuation of service. NEC's application
2 requested increasing the avoided cost from \$0.04218 per kWh to \$0.04463 per kWh. This is the only
3 change currently being proposed for the NMS Tariff by NEC. Staff has reviewed the data supporting
4 the calculation of the proposed avoided cost and is in agreement with the calculation. Staff has
5 recommended that the proposed new avoided cost of \$0.04463 per kWh be approved.

6 **Compliance Requirements**

7 25. NEC did not use any RECs not owned by the utility to comply with the Commission's
8 REST rules in 2014.

9 26. Per A.A.C. R14-2-1812, NEC is required to file an annual compliance report. Staff
10 recommends that, beginning in 2016, NEC file its annual REST compliance reports in a docket to be
11 opened by Staff.

12 **Staff Recommendations**

13 27. Staff has recommended that NEC's proposed 2016 REST Plan be approved.

14 28. Staff has recommended the NEC proposed 2016 REST budget be approved.

15 29. Staff has further recommended for the RES surcharge that the monthly caps be
16 reduced to \$0.00 and the energy charge be reduced to \$0.0000 per kWh for all governmental and
17 agricultural customers with multiple meters and \$0.00000 per kWh for all other tariff service
18 categories.

19 30. Staff has recommended that NEC's Renewable Energy Standard Tariff Schedule No. 9
20 be modified to incorporate the reduced energy charges and monthly charges as noted above.

21 31. Staff has recommended that NEC file with Docket Control, as a compliance item, a
22 revised NMS Tariff and a revised Renewable Energy Standard Tariff Schedule No. 9 within 15 days of
23 the effective date of the Decision in this case.

24 32. Staff has recommended that, beginning, in 2016, NEC file its annual REST
25 compliance reports in a docket to be opened by Staff.

26 33. Staff has recommended that the avoided cost on NEC's NMS Tariff be set at \$0.04463
27 per kWh.

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CONCLUSIONS OF LAW

1. Navopache Electric Cooperative, Inc. is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Navopache Electric Cooperative, Inc. and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated October 6, 2015, concludes that it is in the public interest to approve the Navopache Electric Cooperative, Inc. 2016 REST Plan as specified in this order.

ORDER

IT IS THEREFORE ORDERED that the Navopache Electric Cooperative, Inc. 2016 REST Plan is hereby approved as discussed herein.

IT IS FURTHER ORDERED that the Navopache Electric Cooperative, Inc. 2016 REST budget be approved.

IT IS FURTHER ORDERED that for the RES surcharge that the monthly caps be reduced to \$0.00 for all customer classes.

IT IS FURTHER ORDERED that for the RES surcharge that the energy charges on Renewable Energy Standard Tariff Schedule No. 9 be reduced to \$0.0000 per kWh for all governmental and agricultural customers with multiple meters and \$0.00000 per kWh for all other tariff service categories.

IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. file with Docket Control, as a compliance item, a revised Net Metering Service Tariff and a revised Renewable Energy Standard Tariff Schedule No. 9 within 15 days of the effective date of this Order.

IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc.'s revised Renewable Energy Standard Tariff Schedule No. 9, Voluntary Renewable Energy Program Schedule No. 10 and Customer Self-Directed Tariff Schedule No. 11 remain in effect until further Order of the Commission.

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1 IT IS FURTHER ORDERED that the avoided cost on Navopache Electric Cooperative,
2 Inc.'s Net Metering Service Tariff of \$0.04463 per kWh become effective on January 1, 2016.


3 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc., beginning in 2016,
4 file its annual REST compliance reports in a docket to be opened by Staff.

5 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

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COMMISSIONER

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COMMISSIONER

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COMMISSIONER

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COMMISSIONER

14 IN WITNESS WHEREOF, I, JODI JERICH, Executive
15 Director of the Arizona Corporation Commission, have
16 hereunto, set my hand and caused the official seal of this
17 Commission to be affixed at the Capitol, in the City of
18 Phoenix, this 27th day of October, 2015.

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20 JODI JERICH
21 Executive Director

22 DISSENT: _____

23 DISSENT: _____

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1 SERVICE LIST FOR: Navopache Electric Cooperative, Inc.
2 DOCKET NO. E-01787A-15-0262

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